Committee on Resources

Subcommittee on Fisheries Conservation, Wildlife and Oceans

Witness Statement

August 27, 1999

The Honorable Jim Saxton
U.S. House of Representatives
Subcommittee on Fisheries Conservation Wildlife & Oceans
Committee on Resources
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the City of St. Paul, we have been asked to provide your committee with time lines of Bering Sea developments which have occurred over the past 20 plus years and which have directly impacted the growth of St. Paul Harbor and the City of St. Paul. We also have been asked to address certain aspects of future development in St. Paul.

Several principals at Natural Resources Consultants have been continually involved for more than 20 to 30 years in the at-sea assessment of Bering Sea resources, the development of domestic fisheries throughout formative years and the management of the Bering Sea groundfish and crab resources. We have also assisted the City and U.S. Army Corps of Engineers in assessing the benefits-costs and NEB for both harbor projects on St. Paul. In preparing this document, we have relied upon those experiences plus catch records of the State of Alaska and the National Marine Fisheries Service.

DEVELOPMENT PERSPECTIVE

The nation's largest crab fishery (*opilio* Tanner crab) and the nation's largest groundfish fisheries (pollock and cod) have been developed over the past 20 years in the eastern Bering Sea. St. Paul Harbor is centrally located to these major fisheries. In the case of the pollock and cod, depending on the season, St. Paul Harbor is the port either closest to or next closest to the primary fishing grounds. In the case of *opilio* Tanner crab, as well as the smaller king crab fisheries around the Pribilof and St. Matthew Islands, St. Paul is a minimum of 180 nautical miles closer to the fishing grounds than are the primary landing ports to the south at Dutch Harbor/Unalaska and Akutan.

Twenty to 25 years ago, these groundfish and *opilio* Tanner crab fisheries did not exist to U.S. fisherman or processors, but they did support Japanese/Soviet and/or other foreign operations.

Initial U.S. development of these fisheries occurred largely because of the 1981 collapse of the Bering Sea king crab fishery and the economic need of catcher boats and shore-side plants to diversify from king crab to *opilio* Tanner crab, pollock, cod and other groundfish. For the catcher boat fleets, diversification into *opilio* Tanner crab and groundfish required ports from which to stage their operations with safe access, deep water, fuel, a variety of goods, service support, fresh water, airport services and of course shore plants or

floating processors to purchase and receive their catches. From the shore-plant perspective, they basically needed the same amenities as did catcher vessels -- plus land for plant construction, utilities, housing, seafood waste disposal, plant support services and docks.

Extremely key political and business decisions in the U.S. and Japan occurred during the early to mid 1980's which resulted in full U.S. development of the eastern Bering Sea's *opilio* Tanner crab fishery, the pollock fishery, the Pacific cod fishery and all other groundfish fisheries. When these key political and business decisions were made, St. Paul was not on the development map from the fishing industry's perspective. St. Paul, in spite of its ideal location, had no harbor and virtually no infrastructure to support industry needs for development. The compass pointed south from the Bering Sea to Dutch Harbor/Unalaska and to Akutan as the shore based growth center for the nation's largest fisheries. St. Paul Harbor officially opened in 1990, long after decisions had been made and long after this development had been completed.

OPILIO **TANNER CRAB DEVELOPMENT TIME LINE (Exhibit 1)**

The nation's largest crab resource, *opilio* Tanner crab, is distributed around the Pribilof Islands north and west to the U.S./Russia boundary, and beyond. Foreign, primarily Japanese fishermen, were the main harvesters of this resource during the 1970's. Foreign *opilio* fishing ended in 1980 and this fishery became fully domestic in 1981 at a relatively small volume of about 50.5 million pounds. In 1983, when the federal government withdrew from St. Paul, the *opilio* fishery was harvested by 109 crabbers and totaled about 25.0 millions pounds. With increased *opilio* stocks after 1984 the fishery built rapidly to peak harvests of over 300 million pounds in 1991 and 1992. The crab fleet in the early 1990's exceeded 250 vessels. Catches were processed by a fleet of floating processors stationed around the Pribilofs and at Dutch Harbor/Unalaska/Akutan.

St. Paul Harbor opened August 4, 1990, before the peak *opilio* season of 1991. The first *opilio* Tanner crab landings in St. Paul Harbor occurred in 1994 at the UNISEA barge followed in 1996 at the Trident shore plant in St. Paul Harbor. *Opilio* landings to these facilities have been limited by other in-place processors, by lack of space inside St. Paul Harbor of suitable depth and by no available land for further plant construction or infrastructure developments.

Presently, the most important infrastructure developments to St. Paul Harbor in order of priority, as we see the situation, are:

Larger volume seafood waste discharge system, diversified to cover species other than crab and a small volume of halibut. The present system is capped by regulation and will not allow for further processing during the *opilio* processing season because the system is at capacity.

Overcoming the above, land for construction of one or two more shore plants with docks.

More fresh water storage capacity to match increased processing capacity.

Harbor deepening of shallows to expand usable inside harbor space for use by more vessels to service increased plant capacities, as well as better servicing of existing plant capacities.

POLLOCK AND COD (Exhibits 2 & 3)

The nation's largest fishery, Alaska pollock, occurs throughout a wide band of the Bering Sea from the

Dutch Harbor/Unalaska/Akutan region northerly past the Pribilofs and to the U.S./Russian boarder. In the winter, pollock are basically distributed between Dutch Harbor and the Pribilofs and in the summer/fall pollock are distributed more northerly, but throughout this north-south band at depths of 40 to 150 fms. Pacific cod distribution in the Bering Sea is similar to pollock, with major cod fisheries occurring north, south, east and west of St. Paul.

Foreign factory trawlers and motherships with catcher boats fishing pollock, and foreign factory trawlers and factory longliners fishing cod dominated these fisheries all during the 1970's and through 1985. Complete foreign dominance of these fisheries began to slowly wane starting in 1980 for pollock and in 1979 for cod, when American vessels began to enter these fisheries, first in joint ventures then later as fully domestic operations.

U.S. joint venture pollock fisheries (American caught and foreign processed) grew rapidly during 1982 to 1986, prevailed in 1987 to 1988 and were completely replaced by a fully domestic American pollock fishery in 1991. This domestic fishing development occurred in three forms -- factory trawlers, mothership/catcher trawlers and inshore/catcher trawlers. The inshore processing component, except for two inshore processing ships, consisted of four large shore plants. Three of these large shore plants were built in Dutch Harbor/Unalaska and one was built in Akutan. Three of these four new pollock processing shore plants were completely built and in operation before 1990 when St. Paul Harbor officially opened. The fourth plant was already planned, sited and under construction in 1990, when St. Paul Harbor opened.

The U.S. cod fishery followed a similar chronology of development. Foreign cod harvesting and processing ended in 1987, U.S. joint venture cod fishing ended in 1990, and the Bering Sea cod fishery first became fully domestic in 1991. Cod domestic development also occurred in three forms -- freezer trawlers, freezer longliners and catcher boats delivering to the same inshore processors which purchased their pollock. Most deliveries of fresh cod go to Dutch Harbor/Unalaska (three plant sites) and to Akutan (one plant site). As with pollock, three of these four shore plants were fully operational and processing cod when St. Paul Harbor opened in 1990.

Volume wise, these fisheries are very large. Pollock harvests from the Bering Sea during the 1990's have averaged more than 1.2 million mt annually with 35% of this total going to inshore processors, 1992 to 1998, and 50% going to inshore processors 1999 to 2004 (at least). Also, during the 1990's, the Pacific cod fishery has totaled 175,000 to 250,000 mt annually with about 25% going to inshore processors from catcher trawlers and 5% to 10% going to inshore processors from pot boats.

As with the *opilio* crab fishery, the Bering Sea pollock and cod fisheries basically became fully developed as domestic harvesting and processing operations during the 1980's, long before St. Paul Harbor was an option for the industry.

It must be noted, however, that recent measures implemented by the North Pacific Fishery Management Council, that disperse the pollock fishery temporally and spatially in order to protect the endangered Steller sea lion present an opportunity for St. Paul. These measures recommended by NMFS in a biological opinion presented in late 1998 essentially disperse the fishing effort in the pollock fishery away from Steller sea lion critical habitat areas in the Aleutian Chain towards the Central Bering Sea in the proximity of the Pribilofs.

As a result of these recent events and in conjunction with legislation that encourages in-shore processing such as the Sustainable Fisheries Act of 1996 and the American Fisheries Act of 1998, St. Paul may be increasingly viewed by fishing vessels and the fishing industry as an ideal location to process pollock and as

a strategic harbor from which to distribute the effort in the pollock fishery pursuant to these new regulations. Moreover, since the pollock fishing fleet is being required to redirect its fishing efforts away from Aleutian Chain and towards the Central Bering Sea and the Pribilofs, St. Paul's location in relation to the fishery represents reduced fuel costs, time, deadloss, and safety risks for fishing vessels.

NON-DEVELOPMENT IMPACTS ON LOCALS

Not having St. Paul Harbor opened and safely accessible, with fuel, water and land for shore plant constructions during the early fisheries development period (mid 1980's) basically excluded St. Paul from the shore-side fisheries development market. The big four shore plants which did locate in the Dutch Harbor/Unalaska/Akutan area (Trident Seafoods, Universal Seafoods, Aleyska Seafoods and Westward Seafoods), and basically developed the inshore sector of *opilio* Tanner crab, pollock and cod industries, all did so on a competitive timeline. These companies absolutely had to make business decisions, plan for construction and build their operations during the 1980's to the competitive in the 1990's and beyond.

Adverse economic impacts to the local community, St. Paul Harbor and the local fishermen have resulted from only limited *opilio* Tanner crab landings and shore-side processing. St. Paul Harbor has been excluded from pollock deliveries and processing and almost totally excluded from cod deliveries and cod processing. Tax revenues have been lost as have land lease revenues, revenues from vessel infrastructure development and their sales, investment opportunities and of course the loss of a direct fishing based economy (catcher boat ownership and sales of their fish and crab).

Prior to the transition from federal control that began in 1983, NMFS reportedly would not allow the Island residents to engage in commercial fishing activities. By the time the fishermen of St. Paul were allowed access to the commercial fisheries, the fisheries were fully utilized by fishermen from the Pacific Northwest and other Alaskan communities. The local fishermen, prevented from participating in the fisheries prior to the early 1980's, thus lack the historical commercial use that would entitle them to their share of the fishery located in adjacent waters. The community's experience, through the halibut CDQ program (the Western Alaska Community Development Quota program) which has allowed St. Paul fishermen limited access to the halibut fishery, has demonstrated that the local fishermen can build a successful day fishery. Additional access to the fisheries, obtainable through the existing CDQ program, and the construction of essential infrastructure such as a small boat harbor and seafood waste facility, are necessary to ensure the success of a local commercial fishery.

ROAD TO FURTHER DEVELOPMENT

Given the present fully developed status of the *opilio* Tanner crab, pollock and cod fisheries, "catch-up" development in St. Paul Harbor will only occur at the expense of other areas or industry components. "Catch-up" development must compete with in place facilities and operations. "Catch-up" development will not occur without incentives in place for companies to spend money to relocate.

For St. Paul Harbor, "catch-up" development is most likely to occur in the crab deliveries and crab processing because a great deal of *opilio* Tanner crab in particular is processed by floating processors, stationed adjacent to the Pribilof Islands during the fishing season. More crabbers would deliver to St. Paul Harbor if the harbor could accommodate more catcher vessels and additional processing facilities to purchase and process more crab. Key impediments are harbor deepening/expansion and land for plant building and dock construction.

Pollock and cod industry development in St. Paul Harbor will likely be more difficult and more expensive. The primary cod and pollock seasons also completely overlaps the *opilio* season, but would not preclude for example, a moderate volume, high quality cod fillet plant in St. Paul.

Of these crab, cod or pollock development options, common requirements exist to attract private industry. These requirements are the same now as they were in the mid 1980's when Dutch Harbor/Unalaska and Akutan were developed -- deep water safe access for vessels, land at an affordable cost for shore plant and dock construction, seafood and domestic waste disposal, water, fuel, logistic services and a nearby airport.

ECONOMIC BENEFITS TO THE NATION

St. Paul Harbor offers important economic benefits to the commercial fishing industry and the nation from existing harbor facilities and services, but will offer significantly increased economic benefits if future harbor improvements and private capital investments are realized. St. Paul's strategic location in the center of the rich Bering Sea groundfish and crab resources would have been a natural location for privately financed shore-based infrastructure development in the mid 1980's had St. Paul Harbor been able to complete improvements adequate to handle the size and numbers of vessels operating in the area. However, this capital was invested primarily in Dutch Harbor/Unalaska/Akutan and other ports many miles from the fishing grounds, resulting in increased costs and reducing the overall benefit of the public resources to fishers and nation.

After only minimal St. Paul Harbor improvements were completed in the early 1990's, the Bering Sea crab fishing fleet immediately took advantage of the excellent opportunity afforded by St. Paul and initiated shore-side landings, processing and vessel support services for the small to medium size crab catcher fleet. St. Paul provided the opportunity of medical, crew, and vessel support services, shorter running and off-load time which reduced operating costs and lowered crab deadloss, all of which increased the economic value of the Bering Sea crab resources to the fishing fleet and the nation. Nearly $2 million per year in national economic benefit for *opilio* Tanner crab alone was realized at an ex-vessel level and nearly $4 million per year was realized at a wholesale level.

Future planned improvements in St. Paul Harbor will allow access for larger vessels and increase the size of the fleet that can be serviced, further increasing the economic benefit to the nation. Added fleet capacity will also provide access to Russian Far East crab and other marine resources that can be off-loaded and processed at St. Paul Harbor. Based on an economic analysis conducted by NRC in 1995, this new and exciting Russian trade opportunity will initially result in a minimum net economic benefit to the region and nation of $9 million per year at a wholesale level and the real possibility of significantly increased economic benefits in the future as the business relationship between St. Paul and our Russian neighbors grows.

It is important to note that Russian trade through St. Paul would be new trade with a high rate of economic net benefit both locally and to the nation.

Harbor improvements, required infrastructure upgrades and the expected increase in private capital investment will enable St. Paul to fulfill its destiny to take its place as one of the nation's premier commercial fishing ports at the doorstep of the Russian Far East. The St. Paul community will have the sustainable and diverse economic independence that has been promised for years and allow it to start the new millennium with self reliance of a viable economy that contributes to regional and national good.

Long-term, and to fulfill these goals, it is particularly important that St. Paul not only expand its domestic

crab operations but diversify in two obvious directions for stability. These directions are the receiving and processing of Russian crab from their remote northern regions and the receiving and processing of increased quantities of halibut plus cod for higher value specialty markets. Each will provide diversification in terms of resource base, processing seasons, employment and marketing opportunities.

We thank you for the opportunity to provide your committee with this information.

Sincerely,

NATURAL RESOURCES CONSULTANTS, INC.

Steven E. Hughes

President

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Enclosure(s)

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